

## EXHIBIT 3

1 UNITED STATES DISTRICT COURT  
2 SOUTHERN DISTRICT OF NEW YORK  
3

4 ABU DHABI COMMERCIAL BANK, KING COUNTY WASHINGTON, SEI  
5 Investments Company, Together and on behalf of all others  
6 similarly situated,

7 Plaintiffs,

8 vs. Civil Action No. 1:08-cv-07508-SAS

9 MORGAN STANLEY & CO. INCORPORATED, ET AL.,

10 Defendants.  
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12  
13 DEPOSITION OF JOHN T. DOBROWOLSKI

14 Taken on behalf of the Defendants

15 April 29, 2011  
16

17 BE IT REMEMBERED THAT, pursuant to the Washington Rules of  
18 Civil Procedure, the deposition of MARY ELLEN MULLEN,  
19 VOLUME II was taken before Tia B. Reidt, #2798, a Certified  
20 Shorthand Reporter, and a Notary Public for the State of  
21 Washington, on April 29, 2011, commencing at the hour of  
22 9:06 a.m., the proceedings being reported at 1111 3rd  
23 Avenue, Suite 3400, Seattle, Washington.

24 Job Number: 38397  
25

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1 JOHN T. DOBROWOLSKI  
 2 thinking of.  
 3 A. So that's the one? Yeah. So "no commercial paper  
 4 monitoring."  
 5 Q. Okay. And what does that reflect?  
 6 A. That means, if you go to the left where it says  
 7 "Commercial paper, 25 percent of the portfolio, 5 percent of  
 8 for issuer," how do you monitor that you are within those  
 9 guidelines?  
 10 Q. And they were not monitoring within the  
 11 guidelines? Is that what that point means?  
 12 MR. MIKOLAJCZYK: Objection. Leading; lack of  
 13 foundation.  
 14 BY MR. PEREZ-MARQUES:  
 15 Q. Well, what did you mean by "no commercial paper  
 16 monitoring"?  
 17 A. I don't know. There's two possible things it  
 18 could mean. One would be they're not monitoring versus  
 19 their limits, or the other could be that after they  
 20 purchased commercial paper, they're not monitoring to see  
 21 how it performs thereafter.  
 22 Q. And do you know from all of your work on the panel  
 23 whether King County was monitoring the performance of its  
 24 commercial paper after purchase?  
 25 MR. MIKOLAJCZYK: Objection. Lack of foundation;  
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1 JOHN T. DOBROWOLSKI  
 2 calls for speculation.  
 3 THE WITNESS: I don't know specifically if they  
 4 monitored their investments thereafter, from a credit point  
 5 of view.  
 6 BY MR. PEREZ-MARQUES:  
 7 Q. Under that slide on "Default Risk Limits," there's  
 8 a note that appears to say "soft hard limits."  
 9 Do you see that?  
 10 A. Yes.  
 11 Q. What does that reflect?  
 12 A. So in risk management or policy guideline  
 13 underwriting, generally you have what are called soft limits  
 14 and hard limits. Soft limits are viewed more as a trigger.  
 15 So let's take your US Agency 75 percent of portfolio on this  
 16 page. My question, or what that is meant to say, is it a  
 17 hard limit or a soft limit? If you go to 76, have you  
 18 breached a limit or is that a trigger and your true on that  
 19 is, you know, 80 percent. So these are viewed as hard  
 20 limits. Do not exceed them.  
 21 And what I was exploring is, well, then you may  
 22 want to consider putting in a soft limit at 70 percent so  
 23 then you know you're within, you know, 5 percent of your  
 24 hard limit.  
 25 Q. And then at the bottom of Page 6 on the left-hand  
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1 JOHN T. DOBROWOLSKI  
 2 side, there's a notation.  
 3 Can you read what that says?  
 4 A. "Credit analyst," "S&P."  
 5 Q. Do you know what those mean?  
 6 A. I don't know what they referred to.  
 7 Q. Okay. That's all for that document.  
 8 I'll show you what's been previously marked as  
 9 Defendant's Exhibit 140. And for the record, Defendant's  
 10 Exhibit 140 is a two-page e-mail string MARY\_MULLEN\_0013230  
 11 through -13231.  
 12 Let me know when you've looked it over and are  
 13 ready to answer a question.  
 14 A. Okay. (Witness peruses documents.)  
 15 Okay. I'm ready.  
 16 Q. You see on Page -231 there's an e-mail from John  
 17 Rose to Mary Mullen and yourself? Do you see that?  
 18 A. Yes.  
 19 Q. March 18th, 2009, with the subject "Olympia News,"  
 20 correct?  
 21 A. Correct.  
 22 Q. And in the last paragraph of this e-mail, Mr. Rose  
 23 writes, "At 4:15 I meet with Rep Santos. Her questions of  
 24 me were not friendly. She wanted to know why our panel  
 25 didn't do more to cause the County to change its ways."  
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1 JOHN T. DOBROWOLSKI  
 2 Do you see all that?  
 3 A. Yes.  
 4 Q. And then on Page -230, you respond to Mr. Rose,  
 5 correct?  
 6 A. Correct.  
 7 Q. And you write, in the second paragraph, "I would  
 8 advise Rep Santos the reason that panel was unable to force  
 9 change was because the executive branch did not accept  
 10 responsibility for their investment actions."  
 11 Do you see that?  
 12 A. Yes.  
 13 Q. And was that your view at the time?  
 14 A. Yes.  
 15 Q. And then you continue, "Why change if you do  
 16 nothing wrong! Classic public sector?"  
 17 A. Correct.  
 18 Q. And you wrote that?  
 19 A. Yes.  
 20 Q. And what did you mean by "classic public sector"?  
 21 A. The lack of desire to change the current  
 22 environment; keep the status quo.  
 23 MR. PEREZ-MARQUES: Last one from me.  
 24 (Whereupon, a 1-page e-mail from John Dobrowolski  
 25 to multiple recipients dated 3/19/09 re: More Olympia was  
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1 JOHN T. DOBROWOLSKI  
2 marked Defendant's Exhibit 169 for identification.)  
3 BY MR. PEREZ-MARQUES:  
4 Q. This is Defendant's Exhibit 169. It's a two-page  
5 e-mail string MARY\_MULLEN\_0013233 through -234.  
6 Please let me know when you've looked it over and  
7 are ready.  
8 A. I'm ready.  
9 Q. There's another e-mail on the back.  
10 A. Oh, okay. (Witness peruses document.)  
11 Okay.  
12 Q. And this is another e-mail that -- the second page  
13 of this exhibit (Exhibit 169), -234, is another update from  
14 Mr. Rose about activity in Olympia, correct?  
15 A. Correct.  
16 Q. And it's dated the same date as Exhibit 140,  
17 correct?  
18 A. Correct.  
19 Q. And he's providing an update on legislative  
20 action?  
21 A. Yes.  
22 Q. And then on Page -233, you respond to Mr. Rose,  
23 correct?  
24 A. Correct.  
25 Q. Copying Ms. Mullen?

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1 JOHN T. DOBROWOLSKI  
2 A. Correct.  
3 Q. And that's on March 19th, 2009?  
4 A. Correct.  
5 Q. And you write, "Thanks for update. I do not think  
6 the service could be worse, no matter what limit is placed  
7 on the fund. Presently the Keystone Kops are 'managing' 4  
8 billion. Very sad."  
9 A. Right.  
10 Q. Do you see that?  
11 A. Right.  
12 Q. What did you mean by "I do not think the service  
13 could be worse, no matter what limit is placed on the fund"?  
14 A. What limit is being placed on the fund, do you  
15 know -- oh, the bill limiting fees. So this is opining that  
16 they could limit the amount of fees that they're going to  
17 charge to the fund. But by limiting, you're actually  
18 creating less resources available to develop the  
19 infrastructure to manage the fund.  
20 So you can place a limit, but in my opinion, you  
21 can't -- you're not going to be able to build that  
22 infrastructure that is needed to appropriately manage that  
23 fund. So this is aligned with my view that you should  
24 outsource because you can't build it.  
25 Q. You're saying also that you don't think the

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1 JOHN T. DOBROWOLSKI  
2 service could be worse, correct?  
3 A. Right. Well, I mean, it could always be worse.  
4 You could lose every penny, right? Which they did not do.  
5 But I mean, my opinion here was it couldn't be worse.  
6 Q. And that was your view at this time?  
7 A. Yes.  
8 Q. And then you state, "Presently the Keystone Kops  
9 are 'managing' \$4 billion. Very sad."  
10 Do you see that?  
11 A. Yes.  
12 Q. And who are you referring to as the Keystone Kops?  
13 A. That would be the treasury group.  
14 Q. Okay. And what did you mean by characterizing  
15 them as the Keystone Kops?  
16 A. That they did not have the adequate infrastructure  
17 to manage a \$4 billion pool.  
18 Q. What are the Keystone Kops?  
19 A. Keystone Kops are -- at least my understanding or  
20 my definition of "Keystone Kops" are individuals who are in  
21 a role that they're not adequately suited to perform.  
22 Q. People who are incompetent, correct?  
23 MR. MIKOLAJCZYK: Objection. Leading; calls for a  
24 conclusion; vague and ambiguous.  
25 THE WITNESS: Could be incompetent. That could be

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1 JOHN T. DOBROWOLSKI  
2 one of the traits of being a Keystone Kop, but I'm sure  
3 there are many. One would be comical, for example.  
4 BY MR. PEREZ-MARQUES:  
5 Q. Comically incompetent?  
6 A. Just comical. Think of Charlie Chaplin.  
7 Q. Okay. What did you mean by putting "managing" in  
8 quotes?  
9 A. Managing. If you believe the view that best  
10 practices is someone who is exhibiting or utilizing best  
11 practices to manage money, is indeed managing the money  
12 because they're using best practices, that's one end of the  
13 spectrum.  
14 The other end of spectrum is you do not have best  
15 practices; in fact, you have horrific practices. I would  
16 not define that group as managing the money appropriately.  
17 Q. Okay.  
18 A. And again, that gets back to the fiduciary  
19 responsibility.  
20 Q. And it was in that category of not truly managing  
21 the money that you put the treasury staff, correct?  
22 MR. MIKOLAJCZYK: Objection. Leading; vague and  
23 ambiguous.  
24 THE WITNESS: I viewed the treasury group as not  
25 having best practices in place to manage this \$4 billion

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Page 1

1 GLENN E. SCOTT  
2 IN THE UNITED STATES DISTRICT COURT  
3 SOUTHERN DISTRICT OF NEW YORK

4 Civil Action No. 09-cv-8387 (SAS) (ECF Case)  
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7 VIDEOTAPE DEPOSITION OF:  
8 GLENN E. SCOTT - November 29, 2011  
9 

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10 KING COUNTY, WASHINGTON; IOWA STUDENT LOAN LIQUIDITY  
11 CORPORATION, Together and on Behalf of All Others  
12 Similarly Situated,

13 Plaintiffs,

14 v.

15 IKB DEUTSCHE INDUSTRIEBANK AG; IKB CREDIT ASSET  
16 MANAGEMENT, GmbH; MOODY'S INVESTORS SERVICE, INC.;  
17 MOODY'S INVESTORS SERVICE, LIMITED; THE MCGRAW-HILL  
18 COMPANIES, INC. (d/b/a STANDARD & POOR'S RATING  
19 SERVICES); FITCH, INC.; MORGAN STANLEY & CO.,  
20 INCORPORATED; MORGAN STANLEY & CO. INTERNATIONAL  
21 LIMITED; WINFRIED REINKE and STEFAN ORTSEIFEN,

22 Defendants.  
23  
24  
25

Job # 43430

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<p>1 GLENN E. SCOTT</p> <p>2 just received the Security Trust Deed (attached) and</p> <p>3 am reading through it now."</p> <p>4 Do you see that?</p> <p>5 A. I do.</p> <p>6 Q. Do you remember from where you received</p> <p>7 the security trust deed?</p> <p>8 A. I do not.</p> <p>9 Q. Let's mark this as 35. Thank you. Scott</p> <p>10 Exhibit 35.</p> <p>11 (Deposition Exhibit 35 was marked.)</p> <p>12 Q. And this is an email from Amrit Bains to</p> <p>13 yourself copying Christian Rohde and Harjan Kuiper</p> <p>14 dated October 15, 2007, Bates-stamped IKB 207073. Do</p> <p>15 you see that?</p> <p>16 A. I do.</p> <p>17 Q. Do you recognize this document?</p> <p>18 A. I don't recall it, but it appears to be a</p> <p>19 document -- or an email sent to me by Amrit.</p> <p>20 Q. Do you have any reason to believe that</p> <p>21 you didn't receive this email?</p> <p>22 A. No.</p> <p>23 Q. And does that refresh your recollection</p> <p>24 about from where you received the Security Trust Deed?</p> <p>25 A. It looks like I got it from IKB.</p>	<p>1 GLENN E. SCOTT</p> <p>2 Q. Okay. You can put that document aside,</p> <p>3 too. If you can turn your attention to what has been</p> <p>4 marked as Defendants' Exhibit 82. I'll show you just</p> <p>5 so you have an idea of what it looks like.</p> <p>6 A. Oh, right, right. Oh, here it is. Okay.</p> <p>7 Q. Now, I realize you've testified -- well,</p> <p>8 first of all, let me just note for the record it's an</p> <p>9 October 19, 2007, letter from Steve McCullough,</p> <p>10 president and COE of Liquidity Corp, to Kate Russell</p> <p>11 of Bank of New York and Amrit Bains of IKB-CAM.</p> <p>12 I realize you previously testified you</p> <p>13 don't -- aren't familiar with this document, but if</p> <p>14 you could just turn to the second page and read to</p> <p>15 yourself the paragraph the -- the paragraph No. 3.</p> <p>16 (The deponent perused the document.)</p> <p>17 Q. Let me know when you're done.</p> <p>18 A. Okay.</p> <p>19 Q. And if you can turn you -- turn your</p> <p>20 attention to the first sentence of that third</p> <p>21 paragraph, it says, "Third, it is our opinion that</p> <p>22 IKB-CAM's mark to market calculations may be overly</p> <p>23 conservative, leading to a premature declaration of a</p> <p>24 Mandatory Acceleration Event."</p> <p>25 Do you have any recollection of any</p>
Page 116	Page 117
<p>1 GLENN E. SCOTT</p> <p>2 discussions you had with Steve McCullough from Iowa</p> <p>3 Student Loan where he expressed his opinion that IKB</p> <p>4 CAM mark to market calculations for Rhinebridge were</p> <p>5 overly conservative?</p> <p>6 MR. CHARO: Objection, lacks foundation.</p> <p>7 A. Vaguely.</p> <p>8 Q. (BY MR. HAMPSON) And what are your vague</p> <p>9 recollections?</p> <p>10 A. My -- my recollection is that ISL was</p> <p>11 exploring whether the mandatory acceleration event had</p> <p>12 been properly declared.</p> <p>13 Q. Do you remember whether you disagreed</p> <p>14 with ISL's conclusions at that time?</p> <p>15 A. I don't recall that being an area that we</p> <p>16 really worked on. This was something that, as I</p> <p>17 recall, ISL had determined or came out of ISL.</p> <p>18 Q. Do you remember whether ISL told you what</p> <p>19 their basis for that determination was?</p> <p>20 A. I don't recall them doing so.</p> <p>21 Q. Okay. You can put that document aside.</p> <p>22 If you can turn back to Scott Exhibit 26, please.</p> <p>23 It's an April 4, 2008, email from Ron Foresman to</p> <p>24 Scott Prickett to Scott -- I'm sorry.</p> <p>25 A. Yeah, two Scotts.</p>	<p>1 GLENN E. SCOTT</p> <p>2 Q. It's an April 4, 2008, email from</p> <p>3 yourself to Ron Foresman copying Scott Prickett; is</p> <p>4 that correct?</p> <p>5 A. It is.</p> <p>6 Q. If I can direct your attention to the</p> <p>7 last sentence of the first paragraph. You say to</p> <p>8 Mr. Foresman, "Likewise, the cash out option is</p> <p>9 somewhat of a fire sale; selling into a market not yet</p> <p>10 recovered from the subprime crisis in order to</p> <p>11 generate cash for liquidity starved participants."</p> <p>12 What did you mean by that?</p> <p>13 A. Let's see, this is -- this is April of</p> <p>14 '08. All right. So April of '08, we're before</p> <p>15 Lehman. The markets were -- there was -- there was a</p> <p>16 series of events through '07 and '08 where liquidity</p> <p>17 in the market was thin. Those people requiring</p> <p>18 liquidity were in a disadvantaged position. And</p> <p>19 liquidity was expensive.</p> <p>20 Q. Is it fair to say that it was your</p> <p>21 opinion in April 2008 that people -- investors taking</p> <p>22 the cash out option were not realizing full value from</p> <p>23 the Rhinebridge commercial paper that they held?</p> <p>24 MR. CHARO: Objection, calls for</p> <p>25 speculation.</p>

1

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK  
(FOLEY SQUARE)

KING COUNTY,	)	
WASHINGTON, et al.,	)	Case No.
	)	1:09-cv-08387-SAS
Plaintiffs,	)	
	)	
vs.	)	
	)	VIDEOTAPED
IKB DEUTSCHE	)	DEPOSITION OF
INDUSTRIEBANK AG,	)	DAVID V. SOMMERS
et al.,	)	
	)	
Defendants.	)	
-----	)	

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THE VIDEOTAPED DEPOSITION OF  
DAVID V. SOMMERS, taken before Chris A. Quinlin,  
Certified Shorthand Reporter and Notary Public  
of the State of Iowa, commencing at 9:32 a.m.,  
January 31, 2012, at 801 Grand Avenue,  
Suite 3100, Des Moines, Iowa.

Reported by: Chris A. Quinlin, C.S.R.

Videographer: Amy Cooper



<p style="text-align: center;"><b>50</b></p> <p>10:48:57 <b>1 Long Lane, the issuer, 5.245 would have been the</b>  10:49:03 <b>2 yield quoted to Iowa Student Loan, and \$100</b>  10:49:10 <b>3 would have been -- off to the far right there</b>  10:49:12 <b>4 would have been the commission on that</b>  10:49:16 <b>5 particular piece.</b>  10:49:17 <b>6 Q. In other words, you would earn \$100 if</b>  10:49:23 <b>7 ISL made that trade?</b>  10:49:27 <b>8 A. No. \$100 would have been the gross</b>  10:49:30 <b>9 commission. I would have made 25 bucks.</b>  10:49:32 <b>10 Q. I see.</b>  10:49:33 <b>11 So you're right. LPL would have</b>  10:49:34 <b>12 gotten \$100, of which you would have ended up</b>  10:49:37 <b>13 getting 25?</b>  10:49:38 <b>14 A. Yeah.</b>  10:49:38 <b>15 Q. Okay. And why is there no number on</b>  10:49:49 <b>16 the next entry down?</b>  10:49:50 <b>17 A. Because the commission on the trade was</b>  10:49:52 <b>18 the least important part of the -- of doing the</b>  10:49:58 <b>19 business. It was what it was. The trade desk</b>  10:50:03 <b>20 calculated the commission, not myself. And I'm</b>  10:50:07 <b>21 obviously writing down a lot of information in</b>  10:50:10 <b>22 an abbreviated period of time because I have to</b>  10:50:12 <b>23 turn this information around to Steve Nichols.</b>  10:50:14 <b>24 Q. Okay. How long did it take you to turn</b>  10:50:16 <b>25 this information around to Steve Nichols?</b></p>	<p style="text-align: center;"><b>52</b></p> <p>10:51:28 <b>1 Q. And this information came back to you</b>  10:51:34 <b>2 from --</b>  10:51:36 <b>3 A. It was communicated by phone to me from</b>  10:51:40 <b>4 my fixed income trade desk.</b>  10:51:41 <b>5 Q. Okay. When -- All right. I'm just</b>  10:51:46 <b>6 trying to construct a timeline here. You</b>  10:51:48 <b>7 received this fax on or around 5:17 p.m. on the</b>  10:51:52 <b>8 24th?</b>  10:51:54 <b>9 A. Usually the day before, yes.</b>  10:51:55 <b>10 Q. You would then transmit this</b>  10:51:58 <b>11 information by fax?</b>  10:52:01 <b>12 A. To the trade desk.</b>  10:52:02 <b>13 Q. To the trade desk?</b>  10:52:04 <b>14 A. Yes, sir.</b>  10:52:04 <b>15 Q. And they would then telephone you with</b>  10:52:07 <b>16 this information?</b>  10:52:08 <b>17 A. Yes.</b>  10:52:08 <b>18 Q. Approximately how long would it take</b>  10:52:10 <b>19 before they telephoned you with the information</b>  10:52:12 <b>20 that you copied down onto this piece of paper?</b>  10:52:15 <b>21 A. Offerings were due, I want to say, like</b>  10:52:20 <b>22 by 8:15 or 8:30. So it would be -- this would</b>  10:52:27 <b>23 be faxed to my trade desk, as a rule, the</b>  10:52:30 <b>24 previous business day. They would phone me very</b>  10:52:33 <b>25 early in the morning. I would turn around and</b></p>
<p style="text-align: center;"><b>51</b></p> <p>10:50:18 <b>1 A. I would say a day of 13 pieces was a</b>  10:50:24 <b>2 bigger day than normal. There's no way I could</b>  10:50:29 <b>3 put an exact time on it. We tried to operate as</b>  10:50:33 <b>4 efficiently and quickly and timely as possible.</b>  10:50:36 <b>5 Q. Would you send it back -- Would you</b>  10:50:41 <b>6 send this information back to Steve Nichols on</b>  10:50:43 <b>7 the 24th or on the 25th?</b>  10:50:47 <b>8 A. This information, this actual document</b>  10:50:50 <b>9 would not have been sent back to Steve. He</b>  10:50:54 <b>10 would have been communicated with by telephone</b>  10:50:58 <b>11 on the issuer and the yield for the first piece,</b>  10:51:01 <b>12 the second piece, and so on.</b>  10:51:02 <b>13 Q. I see.</b>  10:51:03 <b>14 Okay. So you would have called</b>  10:51:04 <b>15 up Steve Nichols and said, "Okay. I have your</b>  10:51:07 <b>16 fax. As to the first entry, we've got Long Lane</b>  10:51:13 <b>17 at 5.245"?</b>  10:51:15 <b>18 A. Yes, sir.</b>  10:51:15 <b>19 Q. Would you also tell him what the</b>  10:51:16 <b>20 commission was?</b>  10:51:17 <b>21 A. No.</b>  10:51:17 <b>22 Q. Okay. And then you would say to</b>  10:51:22 <b>23 Mr. Nichols "As to the second one, we have" --</b>  10:51:26 <b>24 what is it, Astra Corp. or --</b>  10:51:27 <b>25 A. Yes, sir.</b></p>	<p style="text-align: center;"><b>53</b></p> <p>10:52:36 <b>1 contact Iowa Student Loan by the prescribed</b>  10:52:40 <b>2 time.</b>  10:52:40 <b>3 Q. I see. Okay.</b>  10:53:14 <b>4 So approximately what time on the</b>  10:53:16 <b>5 25th would you have your discussion with</b>  10:53:20 <b>6 Mr. Nichols in which you provided him this</b>  10:53:26 <b>7 information, the handwritten information?</b>  10:53:31 <b>8 MR. CAPUTO: Objection. Calls</b>  10:53:32 <b>9 for speculation.</b>  10:53:35 <b>10 A. There would have been no benefit to me</b>  10:53:38 <b>11 in waiting right up to the last minute. So as</b>  10:53:41 <b>12 soon as my trade desk contacted me, I would have</b>  10:53:43 <b>13 turned around and called Steve.</b>  10:53:45 <b>14 Q. Okay. Would that be before 9 a.m.?</b>  10:53:47 <b>15 A. It would have been before their cutoff</b>  10:53:50 <b>16 time. And I believe it to be before 9.</b>  10:53:53 <b>17 Q. Yes.</b>  10:53:53 <b>18 A. It -- Yep.</b>  10:53:54 <b>19 Q. Actually, if you look at the last</b>  10:53:56 <b>20 page --</b>  10:53:56 <b>21 A. Yep.</b>  10:53:56 <b>22 Q. -- there's an indication that --</b>  10:53:57 <b>23 A. Between 8:20 and 8:40. Yep.</b>  10:54:00 <b>24 Q. So that would be the time that you</b>  10:54:02 <b>25 would have your discussion with Mr. Nichols?</b></p>



<p style="text-align: right;"><b>54</b></p> <p>10:54:03 <b>1 A. Yep.</b></p> <p>10:54:04 <b>2 Q. Mr. Nichols would then compare your</b></p> <p>10:54:09 <b>3 quotations with other quotations?</b></p> <p>10:54:11 <b>4 A. That is correct.</b></p> <p>10:54:12 <b>5 Q. Okay. And he would then get back to</b></p> <p>10:54:19 <b>6 you with orders for the things that -- relating</b></p> <p>10:54:22 <b>7 to the quotes -- the LPL quotes that had been</b></p> <p>10:54:25 <b>8 selected from the various quotes that they</b></p> <p>10:54:27 <b>9 received; correct?</b></p> <p>10:54:28 <b>10 A. Correct.</b></p> <p>10:54:28 <b>11 Q. What time would that be, approximately?</b></p> <p>10:54:42 <b>12 A. Once again, nothing to be gained by</b></p> <p>10:54:47 <b>13 delaying, so as promptly as he could make the</b></p> <p>10:54:50 <b>14 assessment as possible that we were the</b></p> <p>10:54:53 <b>15 successful offerer.</b></p> <p>10:54:55 <b>16 Q. Well, just in order of magnitude, are</b></p> <p>10:55:18 <b>17 we talking hours or --</b></p> <p>10:55:18 <b>18 A. No.</b></p> <p>10:55:18 <b>19 Q. -- several hours or a half an hour?</b></p> <p>10:55:21 <b>20 MR. CAPUTO: Objection. Lacks</b></p> <p>10:55:22 <b>21 foundation, calls for speculation. It's also</b></p> <p>10:55:26 <b>22 vague as to time.</b></p> <p>10:55:30 <b>23 A. These pieces that would have been</b></p> <p>10:55:32 <b>24 presented to me to offer Iowa Student Loan are</b></p> <p>10:55:35 <b>25 not available all day. There is a finite size.</b></p>	<p style="text-align: right;"><b>56</b></p> <p>10:56:53 <b>1 could have been an issue where the successful</b></p> <p>10:56:56 <b>2 bidder was Smith Barney -- or the successful</b></p> <p>10:56:59 <b>3 offerer was Smith Barney, and by time -- by the</b></p> <p>10:57:02 <b>4 time that Smith Barney went back to confirm and</b></p> <p>10:57:04 <b>5 purchase that piece, it was gone, and I was the</b></p> <p>10:57:08 <b>6 next most competitive. I'm just creating a</b></p> <p>10:57:13 <b>7 scenario here. But that would force a delay in</b></p> <p>10:57:16 <b>8 something happening.</b></p> <p>10:57:17 <b>9 Q. And with respect to the actual</b></p> <p>10:57:24 <b>10 investments that are identified here, ISL never</b></p> <p>10:57:28 <b>11 requested at any time information that would</b></p> <p>10:57:32 <b>12 provide more information about those investments</b></p> <p>10:57:35 <b>13 than what's provided here in this document;</b></p> <p>10:57:37 <b>14 correct?</b></p> <p>10:57:37 <b>15 MR. CAPUTO: Objection. Lacks</b></p> <p>10:57:39 <b>16 foundation, calls for speculation, vague as to</b></p> <p>10:57:41 <b>17 time. It's also outside the scope of this</b></p> <p>10:57:47 <b>18 deposition, in that they relate to other</b></p> <p>10:57:48 <b>19 investments other than Rhinebridge.</b></p> <p>10:57:57 <b>20 A. To answer your question, prior to</b></p> <p>10:58:00 <b>21 placing the order from me, no other information</b></p> <p>10:58:04 <b>22 requested.</b></p> <p>10:58:12 <b>23 Q. If ISL had asked you for more</b></p> <p>10:58:15 <b>24 information about the kinds of issuers that were</b></p> <p>10:58:17 <b>25 out there in the marketplace, would LPL have</b></p>
<p style="text-align: right;"><b>55</b></p> <p>10:55:39 <b>1 It is available first come first serve. It</b></p> <p>10:55:42 <b>2 behooves everyone to operate as quickly and</b></p> <p>10:55:47 <b>3 efficiently as possible.</b></p> <p>10:55:48 <b>4 I would say in the most part</b></p> <p>10:55:51 <b>5 within minutes of my responding to him I would</b></p> <p>10:55:54 <b>6 get an answer back.</b></p> <p>10:55:57 <b>7 Q. So less than a half an hour?</b></p> <p>10:56:02 <b>8 A. I can't think of the occasion where it</b></p> <p>10:56:04 <b>9 was anywhere near that long.</b></p> <p>10:56:09 <b>10 Q. So would it be fair to say that having</b></p> <p>10:56:14 <b>11 received the quotes from you sometime between</b></p> <p>10:56:17 <b>12 8:20 and 8:40, it would only be a matter of</b></p> <p>10:56:21 <b>13 minutes for Mr. Nichols to evaluate those quotes</b></p> <p>10:56:24 <b>14 and place his orders? Correct?</b></p> <p>10:56:26 <b>15 MR. CAPUTO: Objection. Lacks</b></p> <p>10:56:27 <b>16 foundation, calls for speculation, vague as to</b></p> <p>10:56:30 <b>17 time frame.</b></p> <p>10:56:33 <b>18 A. It -- It could have been. I -- My</b></p> <p>10:56:39 <b>19 memory isn't clear. That's almost five years</b></p> <p>10:56:42 <b>20 ago. Could it have been 20 minutes? 30</b></p> <p>10:56:45 <b>21 minutes? On occasion I assume it could have</b></p> <p>10:56:48 <b>22 been.</b></p> <p>10:56:48 <b>23 Q. But that would be as long as it ever</b></p> <p>10:56:50 <b>24 got?</b></p> <p>10:56:50 <b>25 A. Well, you have a position -- there</b></p>	<p style="text-align: right;"><b>57</b></p> <p>10:58:23 <b>1 provided them that information if they had</b></p> <p>10:58:24 <b>2 access to it?</b></p> <p>10:58:25 <b>3 MS. COMBS: Objection as to form.</b></p> <p>10:58:28 <b>4 Answer it if you can.</b></p> <p>10:58:30 <b>5 MR. CAPUTO: It's also</b></p> <p>10:58:32 <b>6 objectionable in that it's vague as to time</b></p> <p>10:58:34 <b>7 frame.</b></p> <p>10:58:38 <b>8 A. If it was within their scope and they</b></p> <p>10:58:42 <b>9 had the time at that point in time, yes, they</b></p> <p>10:58:47 <b>10 would have provided whatever information they</b></p> <p>10:58:48 <b>11 could have. It's a trade desk. It's not a</b></p> <p>10:58:55 <b>12 research center.</b></p> <p>10:58:56 <b>13 Q. Are you aware of whether ISL had any</b></p> <p>10:59:03 <b>14 avenues for access to information about</b></p> <p>10:59:05 <b>15 potential investments in the marketplace other</b></p> <p>10:59:08 <b>16 than LPL?</b></p> <p>10:59:09 <b>17 MR. CAPUTO: Objection. Lacks</b></p> <p>10:59:10 <b>18 foundation, calls for speculation.</b></p> <p>10:59:13 <b>19 A. I was not the only broker-dealer they</b></p> <p>10:59:18 <b>20 were conducting business with. As we mentioned</b></p> <p>10:59:21 <b>21 earlier, they're a sophisticated institutional</b></p> <p>10:59:25 <b>22 investor not only buying large dollar amounts of</b></p> <p>10:59:28 <b>23 investments but selling bonds on their own. I</b></p> <p>10:59:32 <b>24 would have assumed their information -- their</b></p> <p>10:59:36 <b>25 access to information would have probably at a</b></p>

CONFIDENTIAL

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1 UNITED STATES DISTRICT COURT  
2 SOUTHERN DISTRICT OF NEW YORK

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3 KING COUNTY, WASHINGTON ) Civil Action No.  
4 Individually and on Behalf of ) 1:09-cv-08387-SAS  
5 All Others Similarly Situated, )  
6 Plaintiff, )  
7 vs. ) CLASS ACTION  
8 IKB DEUTSCHE INDUSTRIEBANK AG, )  
9 et al., )  
10 Defendants. )  
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11 IOWA STUDENT LOAN LIQUIDITY ) Civil Action No:  
12 CORPORATION, Individually and on ) 1:09-cv-08822-SAS  
13 Behalf of All Others Similarly )  
14 Situated, )  
15 Plaintiff, ) CLASS ACTION  
16 vs. )  
17 IKB DEUTSCHE INDUSTRIEBANK, AG, ) VOLUME II  
18 et al., )  
19 Defendants. )  
-----

20

21 CONFIDENTIAL

22

23 CONTINUED VIDEOTAPED DEPOSITION OF DR. KLAUS BAUKNECHT

24 FRIDAY, OCTOBER 14, 2011

25 PAGES 295 - 393

## CONFIDENTIAL

<p>1 MR. HALL: Object to the form.</p> <p>2 MR. STERN: Object to the form.</p> <p>3 MR. McFERRIN-CLANCY: Objection. You may answer.</p> <p>4 A It sounded like the same question. Can</p> <p>5 you repeat it?</p> <p>6 <b>Q It is the same except we talked about your</b></p> <p>7 <b>work at IKB CAM?</b></p> <p>8 A Sorry.</p> <p>9 MR. McFERRIN-CLANCY: Same objection.</p> <p>10 MR. HALL: Same objection.</p> <p>11 A There was no research done at IKB CAM from</p> <p>12 our side to evaluate the dynamics of the commercial</p> <p>13 paper market, yes.</p> <p>14 <b>Q And I take it from your testimony you have</b></p> <p>15 <b>done no formal analysis about whether the downturn in</b></p> <p>16 <b>the commercial paper markets supporting structured</b></p> <p>17 <b>finance should have been foreseen. Is that also true?</b></p> <p>18 MR. STERN: Objection to the form.</p> <p>19 MR. HALL: Object to the form.</p> <p>20 MR. McFERRIN-CLANCY: Objection. You may answer.</p> <p>21 A I have no comment on what should have</p> <p>22 happened, what should have been foreseen. As I was</p> <p>23 saying on Wednesday, I made the statement that this was</p> <p>24 something that could not have been foreseen. It is</p> <p>25 like, again, looking at it from an economic perspective,</p> <p style="text-align: right;">332</p>	<p>1 foundation.</p> <p>2 MR. HALL: Object to the form.</p> <p>3 MR. AIETA: Same objection.</p> <p>4 MR. McFERRIN-CLANCY: Objection.</p> <p>5 MR. CAPUTO: In retrospect, do you think you should</p> <p>6 have been more mindful of the likelihood of the collapse</p> <p>7 of the commercial paper market in doing your research?</p> <p>8 A No.</p> <p>9 <b>Q Why not?</b></p> <p>10 A Because the event that is portrayed by</p> <p>11 such a development is just something that doesn't fall</p> <p>12 within the sphere of my possibility of my knowledge of</p> <p>13 what could happen. Now, I could state to you my example</p> <p>14 on the New York Stock Exchange, that we can discuss and</p> <p>15 evaluate whether markets are going to weaken, whether</p> <p>16 they are going to perform well, but it would be to argue</p> <p>17 that like on an equity analyst, that the New York Stock</p> <p>18 Exchange is going to cease to exist, close of business,</p> <p>19 that is something that I don't think I would have spent</p> <p>20 much time on analyzing at IKB.</p> <p>21 <b>Q Did the commercial paper market that was</b></p> <p>22 <b>supporting the structured finance cease to exist?</b></p> <p>23 A Well, if you look at the liquidity in the</p> <p>24 market, there was significant reduction in the volume of</p> <p>25 commercial paper being issued, as far as the data -- at</p> <p style="text-align: right;">334</p>
<p>1 it is like analyzing the Stock Market, the Dow, and one</p> <p>2 should certainly -- we can argue that with the economy</p> <p>3 moderating and going into recession, we can argue</p> <p>4 whether the Stock Market is going to fall 10 or</p> <p>5 15 percent, on what the earnings potential of companies,</p> <p>6 all these things we can discuss. But surely nobody will</p> <p>7 argue that if the US economy is going to go into</p> <p>8 recession the US Stock Exchange is going to cease to</p> <p>9 exist. That would even have been more plausible than</p> <p>10 the commercial paper market -- because after all here we</p> <p>11 are investing in company's future cashflow, not just on</p> <p>12 very liquid short-term assets. So I restate what I said</p> <p>13 on Wednesday, that this is something that, to my</p> <p>14 knowledge, nobody could have foreseen. We are not</p> <p>15 talking about downturn, we are talking about it ceased</p> <p>16 to exist.</p> <p>17 <b>Q Are you through, Doctor?</b></p> <p>18 A Yes.</p> <p>19 <b>Q I move to strike as non-responsive.</b></p> <p>20 <b>My question to you, Doctor, was you have done no</b></p> <p>21 <b>formal analysis that addresses the downturn ceasing to exist</b></p> <p>22 <b>of the commercial paper market supporting structured</b></p> <p>23 <b>finance. Is that correct?</b></p> <p>24 A That is correct.</p> <p>25 MR. ROUHANEH: Object to the form, lack of</p> <p style="text-align: right;">333</p>	<p>1 least as far as the data that I have seen, yes.</p> <p>2 <b>Q My question was did it cease to exist at</b></p> <p>3 <b>some point?</b></p> <p>4 <b>MR. McFERRIN-CLANCY: Asked and answered. You may</b></p> <p>5 <b>answer again.</b></p> <p>6 A If you define a market as a place where</p> <p>7 there is adequate opportunity to buy and sell, then my</p> <p>8 answer would be yes.</p> <p>9 <b>Q I am marking as Exhibit 106 plaintiff's</b></p> <p>10 <b>notice of deposition to defendants IKB and IKB CAM.</b></p> <p>11 <b>(Exhibit P106 marked for identification)</b></p> <p>12 <b>Have you seen this exhibit before, Doctor?</b></p> <p>13 A No, I don't think so.</p> <p>14 <b>Q Are you aware you have been designated by</b></p> <p>15 <b>IKB to speak on behalf of the company in addressing</b></p> <p>16 <b>certain subject matters that are at issue in this case?</b></p> <p>17 A Yes.</p> <p>18 <b>Q If you look at page 6 of this deposition</b></p> <p>19 <b>notice, there is a number of subject matter areas. Do</b></p> <p>20 <b>you have an understanding about which of these matters</b></p> <p>21 <b>you have been designated to testify about?</b></p> <p>22 A I know that I am designated to testify on</p> <p>23 certain issues, yes.</p> <p>24 <b>Q Can you identify any of the issues on page</b></p> <p>25 <b>6 that you are designated to testify about?</b></p> <p style="text-align: right;">335</p>

Pages 332 to 335

**EXHIBIT 4**

**From:** Rajiyah, Anushka (FID) [Anushka.Rajiyah@morganstanley.com]  
**Sent:** Wednesday, September 06, 2006 11:55 AM  
**To:** Guadagnuolo, Lapo  
**Subject:** FW: IKB Presentation for RA call

**Attachments:** RE: IKB Presentation for RA call

Hi Lapo,

I have been trying to call you to discuss tomorrows call with IKB. IKB are keen to discuss the portfolio parameters and for you to provide feedback on the termsheet.

Please call me when free. I have re-attached the email i sent you previously outlining the call agenda.

Thanks

**Anushka Rajiyah**

Morgan Stanley | Fixed Income  
20 Cabot Square | Canary Wharf | Floor 02  
London, E14 4QW  
Phone: +44 20 7677-3061  
Mobile: [REDACTED]  
Fax: +44 20 7677-3454  
[Anushka.Rajiyah@morganstanley.com](mailto:Anushka.Rajiyah@morganstanley.com)

---

**From:** Rajiyah, Anushka (FID)  
**Sent:** 01 September 2006 10:34  
**To:** Rajiyah, Anushka (FID); 'Guadagnuolo, Lapo'; 'Inglis, Perry'  
**Cc:** Drennan, Gregg (FID); 'Söhlke, Thomas, Dr.'; 'Rohde, Christian'  
**Subject:** RE: IKB Presentation for RA call

Dear All,

Please find attached IKBs updated presentation for next weeks conference call. We have made some minor changes.

During the call we envisage the following to be discussed as:

1. IKB to provide a brief update on organization
2. Overview of the establishment of a new separate asset management subsidiary which will serve as SIV asset manager and more detailed overview of the key personnel to be involved in the SIV management
3. Update on SIV establishment process i.e. progress with QSR, simulation model etc.
4. Rating agencies to provide feedback on the Termsheet. Specifically regarding target portfolio and target portfolio parameters. Finalization of portfolio parameters is crucial in order for IKB to shortly begin the asset ramp-up process

We should arrange a call prior to the conference calls to discuss further. Please let me know your availability.

Further in there termsheet we would like to alter the following portfolio parameters:

Page 41

Global RMBS: 75% max eligible limit (changed from 55%)  
70% max operational limited (changed from 45%)

I have attached the revised version incorporating this change

Thanks

**Anushka Rajiyah**

Morgan Stanley | Fixed Income  
20 Cabot Square | Canary Wharf | Floor 02  
London, E14 4QW

Draft: August 12 2006

## **SIV Königsallee PLC Termsheet**

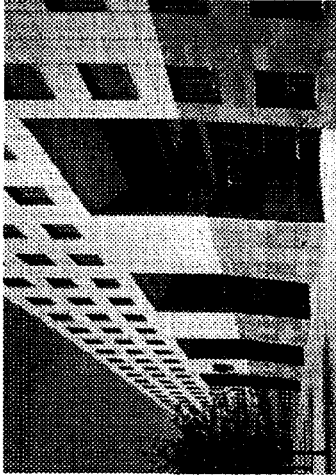
### **Termsheet Overview**

#### **Index**

- I. General Transaction Terms
- II. Market Valuations
- III. Capital Tests
- IV. Investment Portfolio
- V. Market Sensitivity Tests
- VI. Liquidity Features
- VII. Operating States
- VIII. Investment Defeasance Plan
- IX. Senior Funding
- X. Hedging Overview
- XI. Synthetic Investments
- XII. Reporting

#### **Appendices**

- a) Senior Debt Obligation Termsheet
- b) Terms and Conditions of the Capital Notes
- c) Base Capital Requirements for Cash Investments
- d) CDS Counterparty Idealised Default Table
- e) Investment Recovery Rate Tables
- f) Base Capital Requirement Sector Mapping Table
- g) Capital Note Maturity Test
- h) Liquidity Eligible Investment Haircuts
- i) Ratings Mapping Tables
- j) Issues To Be Finalised Post Closing



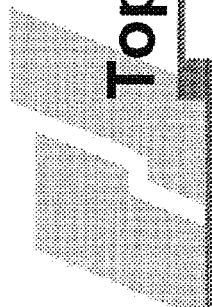
# **Presentation to Rating Agencies**

**SIV „Rhinebridge“**

**September 2006**







## Topics

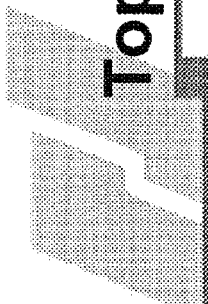
2

1. Bank highlights and Securitisation Division
2. Establishment of Credit Asset Management GmbH
3. SIV Rhinebridge Update

Appendix A – IT Overview

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## Topics

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1. Bank highlights and Securitisation Division
2. Establishment of Credit Asset Management GmbH
3. **SIV Rhinebridge**

Appendix A – IT Overview

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## **The planned SIV, „Rhinebridge“, will be managed by CAM**

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- CAM will be responsible for the Investment Advisory for the SIV „Rhinebridge“
- SIV-set up is carried out with experienced partners
  - Morgan Stanley as a structuring and placement a
  - QSR (subsidiary of the Bank of New York) as administrator
- Investments consist of high grade, variable or fixed-interest securities such as ABS, CDOs, CMBS or RMBS, which are traded on the OTC-market
- Based on Morgan Stanley SIV structure
  - Senior Capital Notes to be launched at closing
  - Co-Issuance Structure to be utilised

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## Update of SIV process (1/2)

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- **Successful incorporation of IKB CAM GmbH**
- **Portfolio ramp-up**
  - Asset ramp-up to commence in October once lead portfolio manager is appointed
  - Rating agency feedback on investment criteria crucial prior to commencing asset ramp-up
  - Assets to be held on IKB balance sheet and transferred to SIV Rhinebridge at closing
- **Building of simulation model**
  - Prototype model developed by IKB based on Morgan Stanley model framework
  - Finalising model and installing on IKB system
- **Ongoing integration of SAMS (CAM IT infrastructure) with QSR systems**
  - SIV „Rhinebridge“ will be set up using „EnSIS“, QSR's SIV administration platform
  - Creation of test portfolio to simulate „live“
  - Interface files have been specified to load all relevant data from EnSIS to SAMS, the IKB CAM standard reporting and surveillance application
  - Process interface testing to commence in October

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## Update of SIV process (2/2)

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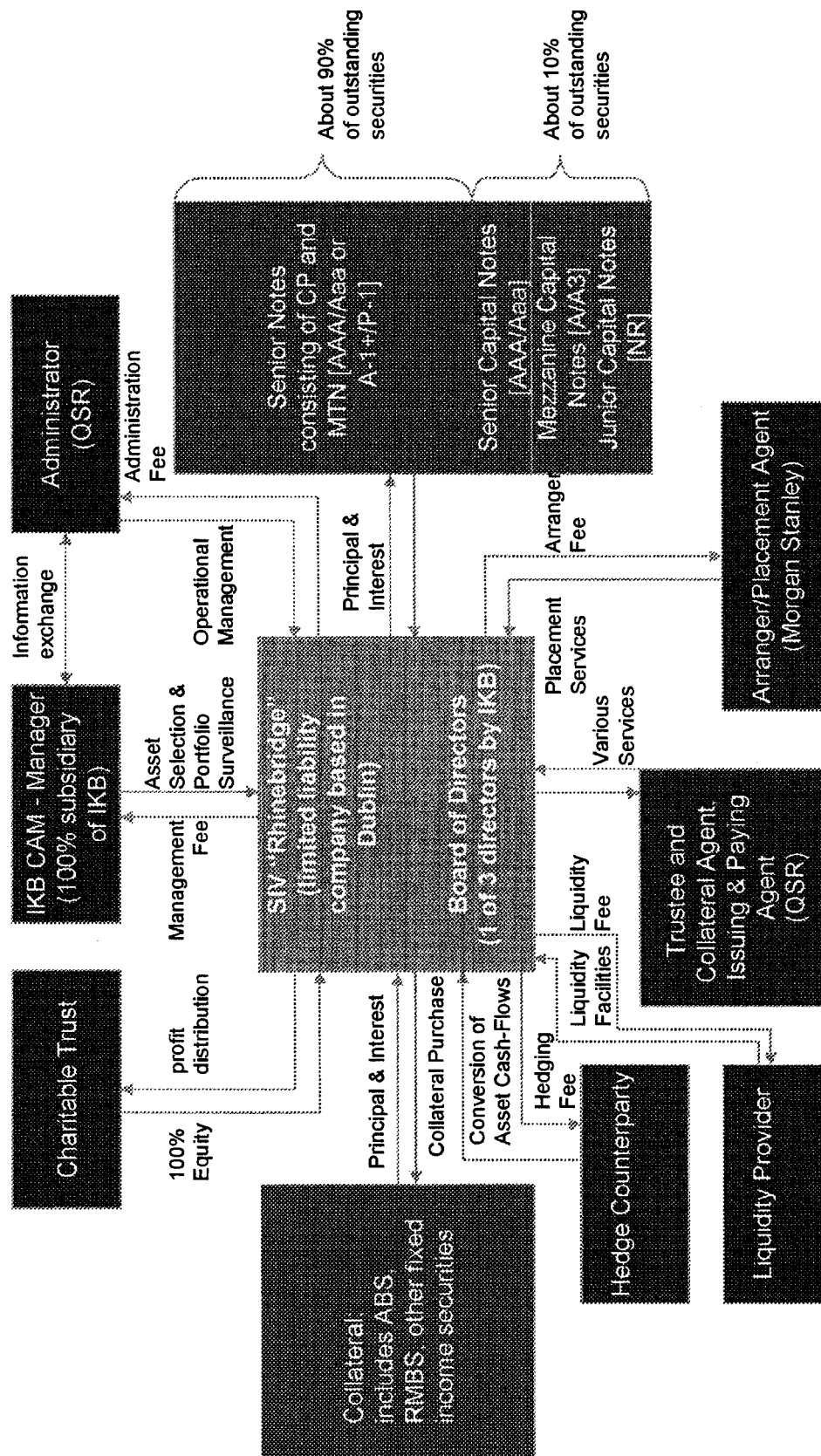
- **Operating Manual and QSRs Systems**
  - Termsheet draft provided to rating agencies
  - Ongoing work with QSR to identify and process required system changes
  - IKB section to be completed now that CAM set up and integration is complete
- **Appointment of lawyers finalised**
  - Mayer Brown have been appointed as lead drafting counsel
  - SIV documentation process commencing
- **Key Planned Milestone Dates**
  - Capital Notes Marketing: November
  - Pricing: February
  - Closing: March

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# SIV „Rhinebridge“ transaction structure

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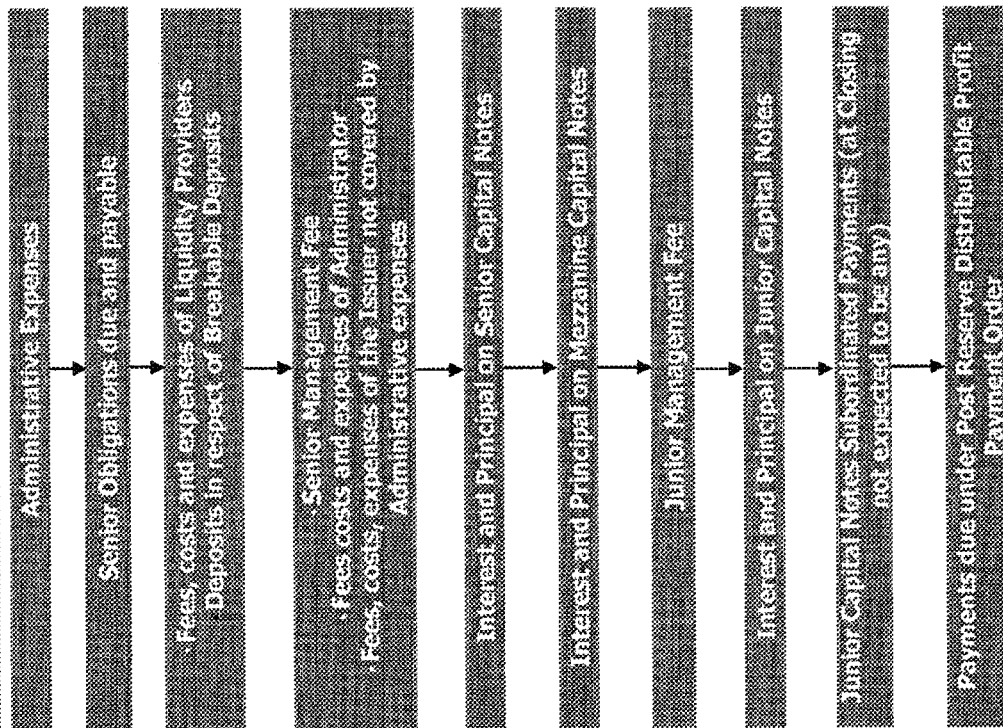
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# Waterfall overview

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# Portfolio composition

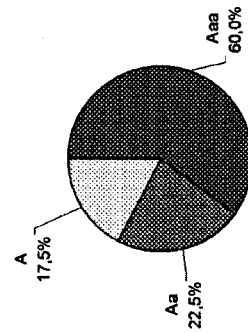
• A potential portfolio could have the following characteristics (current working case):

- WAL: 4.45 years, WARF: 26.1 (Aa2/Aa3)

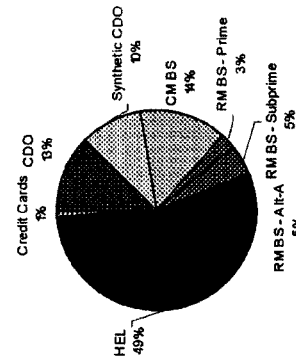
## Portfolio Composition

Category	AAA	AA	A	Total
Cashflow CDO	7.50%	2.50%	2.50%	12.50%
Synthetic CDO	10.00%			10.00%
CMBS	6.50%	3.75%	3.75%	14.00%
RMBS - Prime	2.50%			2.50%
RMBS Sub-Prime	2.50%	1.25%	1.25%	5.00%
RMBS - Alt-A	5.00%			5.00%
HEL	25.00%	15.00%	10.00%	50.00%
Student Loans	1.00%			1.00%
<b>Total</b>	<b>60.00%</b>	<b>22.50%</b>	<b>17.50%</b>	<b>100.00%</b>

**Rating Breakdown**  
% of the Total Portfolio



**Collateral Breakdown**  
% of the Total Portfolio



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# Investment criteria – sector concentration

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Sector Category	Max Eligible Limit	Max Operational Limit
<b>Global CDOs</b>	40.00%	35.00%
CLOs	40.00%	35.00%
Structured Finance CDOs	25.00%	20.00%
HY CBOs	20.00%	17.50%
Emerging Market CDOs	5.00%	4.00%
Single Tranche Synthetic CDOs	15.00%	12.50%
Synthetic CDOs (excluding Single Tranche)	15.00%	12.50%
Trust Preferred CDOs	5.00%	4.00%
Balance Sheet CDOs	25.00%	22.50%
SME CDOs	25.00%	22.50%
CRE CDOs	5.00%	4.00%
Other	8.00%	6.00%
<b>CMBS</b>	50.00%	40.00%
Single Property	20.00%	17.50%
Conduit	35.00%	30.00%
Large Loan	40.00%	35.00%
Credit Tenant Lease	10.00%	8.00%
Other	8.00%	6.00%
<b>Consumer ABS</b>	60.00%	50.00%
Non-Sallie Mae Student Loans	40.00%	35.00%
Sallie Mae Student Loans	40.00%	35.00%
Student Loans combined	40.00%	35.00%
Credit Cards	30.00%	25.00%
Charged off Cards (i.e. non performing)	5.00%	4.00%
Auto Loans	30.00%	25.00%
Auto Sub-Prime	5.00%	4.00%
Consumer Loans	30.00%	25.00%
Other	5.00%	4.00%
<b>Global RMBS</b>	75.00%	70.00%
Prime RMBS	50.00%	40.00%
Home Equity Loans	70.00%	65.00%
HELOC	20.00%	17.50%
Non-Prime RMBS	40.00%	35.00%
Manufactured Housing	5.00%	4.00%
Other	8.00%	6.00%
<b>Corporate ABS</b>	50.00%	40.00%
Trade Receivables	10.00%	8.00%
Lease Backed	10.00%	8.00%
Aircraft Loans/Leases	10.00%	8.00%
Whole Business	10.00%	8.00%
Other	8.00%	6.00%
<b>Monoline wrapped Global RMBS</b>	30.00%	25.00%
Other	5.00%	4.00%



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# Investment criteria – country concentration

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Country	Max Eligible Limit	Max Operational Limit
<b>USA</b>	100.00%	100.00%
<b>European</b>	100.00%	100.00%
UK	60.00%	60.00%
France	50.00%	50.00%
Germany	50.00%	50.00%
Italy	50.00%	50.00%
Netherlands	50.00%	50.00%
Spain	50.00%	50.00%
Austria	25.00%	25.00%
Belgium	25.00%	25.00%
Denmark	25.00%	25.00%
Finland	25.00%	25.00%
Ireland	25.00%	25.00%
Luxembourg	25.00%	25.00%
Norway	25.00%	25.00%
Portugal	25.00%	25.00%
Sweden	25.00%	25.00%
Switzerland	25.00%	25.00%
Greece	10.00%	10.00%
<b>Non-Defined Pan-European (only listed Countries)</b>	25.00%	25.00%
<b>Euro Cash</b>	25.00%	25.00%
<b>Rest of World</b>	25.00%	25.00%
Australia	25.00%	25.00%
Canada	25.00%	25.00%
Japan	25.00%	25.00%
New Zealand	10.00%	10.00%
Singapore	10.00%	10.00%
Hong Kong	10.00%	10.00%
Korea	10.00%	10.00%
<b>Non-Defined Rest of World (only listed Countries)</b>	25.00%	25.00%

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# Investment criteria – single obligor

## Single Obligor at Point of Purchase Maximum Exposure (Normal Obligors) Maximum Exposure (Exceptional Obligors)

Overall	4.00%	8.00%
AAA	4.00%	8.00%
AA	2.00%	4.00%
A	0.50%	1.00%

## Single Obligor Concentration

	Normal Obligors		Exceptional Obligors	
	Max Eligible Limit	Max Operational Limit	Max Eligible Limit	Max Operational Limit
Overall	4.00%	4.00%	8.00%	8.00%
AAA	4.00%	4.00%	8.00%	8.00%
AA	4.00%	4.00%	8.00%	8.00%
A	4.00%	2.00%	8.00%	4.00%
BBB	2.00%	2.00%	4.00%	1.00%
BB	0.50%	0.00%	1.00%	0.00%

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# Investment criteria – other constraints

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## Currency Eligible Limit Operational Limit

USD ( <i>Minimum</i> )	75.00%	75.00%
EUR ( <i>Maximum</i> )	25.00%	25.00%
GBP ( <i>Maximum</i> )	25.00%	25.00%
Other ( <i>Maximum</i> )	25.00%	15.00%

## Rating Min Eligible Limit Min Operational Limit

AAA	40.00%	50.00%
AA to AAA	60.00%	75.00%
A to AAA	80.00%	90.00%
BBB to AAA	85.00%	95.00%
BB to AAA	90.00%	100.00%

## Other Tests

### Maximum

% of Investments with	
- Expected Final Maturity greater than 15 years	5.00%
- Legal Final Maturity greater than 35 years	5.00%
- WAL greater than 12 years	5.00%
% of Investments not publicly or shadow rated	
- by Moody's	20.00%
- by S&P	20.00%
% of synthetic Investments	25.00%
% of non AAA rated CDO-Investments	15.00%
% Fixed Rate Securities	40.00%

## Service Max Eligible Limit Max Operational Limit

Service Exposure	25.00%	20.00%
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